

Q1 2024 Reconciliation of Non-GAAP Measures

Management of Lowe's Companies, Inc. (the Company) uses certain non-GAAP financial measures to provide additional insight for analysts and investors in evaluating the Company's financial and operating performance. These non-GAAP financial measures should not be considered alternatives to, or more meaningful indicators of, the Company's financial measures as prepared in accordance with GAAP. The Company's methods of determining these non-GAAP financial measures may differ from the methods used by other companies and may not be comparable.

The Company's non-GAAP financial measures are intended to provide better visibility to the following:

1. Operating performance,
2. Liquidity measures,
3. Leverage measures, and
4. Capital/asset productivity measures.

Operating Performance

The Company has provided the following non-GAAP financial measures to assist the user in comparing its operating performance to the three months ended May 5, 2023: adjusted selling, general and administrative expenses (SG&A); adjusted operating income; adjusted operating margin; adjusted effective tax rate; and adjusted diluted earnings per share. These measures exclude the impact of a certain item, further described below, not contemplated in Lowe's Business Outlook.

Fiscal 2023 Impacts

During fiscal 2023, the Company recognized financial impacts from the following, not contemplated in the Company's Business Outlook for fiscal 2023:

- In the first quarter of fiscal 2023, the Company recognized pre-tax income of \$63 million consisting of a realized gain on the contingent consideration and adjustments to the selling price associated with the fiscal 2022 sale of the Canadian retail business (Canadian retail business transaction).

Adjusted SG&A (in millions, except percentage data)	Three Months Ended	
	May 5, 2023	
SG&A, As Reported	\$	3,824
Canadian retail business transaction		63
Adjusted SG&A	\$	<u>3,887</u>
SG&A, % of Sales		17.12 %
Adjusted SG&A, % of Sales		17.40 %

Adjusted Operating Income (in millions, except percentage data)	Three Months Ended	
	May 5, 2023	
Operating Income, As Reported	\$	3,288
Canadian retail business transaction		(63)
Adjusted Operating Income	\$	<u>3,225</u>
Operating Margin, % of Sales		14.71 %
Adjusted Operating Margin, % of Sales		14.43 %

Adjusted Effective Tax Rate (in millions, except percentage data)	Three Months Ended		
	May 5, 2023		
	Pre-Tax Earnings	Income Tax Provision ¹	Effective Tax Rate
Effective Tax Rate, As Reported	\$ 2,939	\$ 679	23.1 %
Canadian retail business transaction	(63)	1	
Adjusted Effective Tax Rate	\$ 2,876	\$ 680	23.6 %

Adjusted Diluted Earnings Per Share	Three Months Ended		
	May 5, 2023		
	Pre-Tax Earnings	Tax ¹	Net Earnings
Diluted Earnings Per Share, As Reported			\$ 3.77
Canadian retail business transaction	(0.10)	—	(0.10)
Adjusted Diluted Earnings Per Share			\$ 3.67

¹ Represents the corresponding tax benefit or expense specifically related to the item excluded from adjusted diluted earnings per share.

Liquidity Measures

Free Cash Flow

Lowe's believes Free Cash Flow is a useful measure and focuses on the Company's ability to generate excess cash from its business operations. The Company defines Free Cash Flow as net cash provided by operating activities less capital expenditures.

Free Cash Flow (in millions)	Three Months Ended	
	May 3, 2024	May 5, 2023
Net cash provided by operating activities	\$ 4,262	\$ 2,106
Capital expenditures	(382)	(380)
Free Cash Flow	\$ 3,880	\$ 1,726

Leverage Measures

Lease Adjusted Debt to EBITDAR

Lowe's believes the ratio of Lease Adjusted Debt to EBITDAR is a useful supplemental measure and provides an indication of the results generated by the Company in relation to its level of indebtedness. The Company defines EBITDAR as four quarters' earnings before interest, taxes, depreciation, amortization, share-based payments, rent (inclusive of interest on operating leases), and certain items as defined by the Company's credit facility.

The Company defines Lease Adjusted Debt as short-term debt, current maturities of long-term debt, long-term debt excluding current maturities, and operating lease liabilities reflected on our balance sheet.

EBITDAR (in millions)	Four Quarters Ended	
	May 3, 2024	May 5, 2023
Net Earnings	\$ 7,221	\$ 6,364
Interest ¹	1,384	1,228
Taxes	2,317	2,553
Depreciation and amortization ²	1,947	1,932
Share-based payments	205	243
Rent	671	691
Certain charges ³	—	2,438
EBITDAR	\$ 13,745	\$ 15,449

¹ Interest includes amortization of original issue discount, deferred loan costs & other non-cash amortization charges.

² Depreciation and amortization represents total depreciation, including amounts recognized in cost of goods sold, as well as amortization of certain trademarks and intangibles.

³ Certain charges for the four quarters ended May 5, 2023 include \$2.4 billion of costs associated with the long-lived asset impairment, loss on sale, realized gain on deferred consideration, and other closing costs associated with the sale of the Canadian retail business.

Lease Adjusted Debt (in millions)	As of	
	May 3, 2024	May 5, 2023
Short-term borrowings	\$ —	\$ 72
Current maturities of long-term debt	1,294	589
Current operating lease liabilities	552	525
Long-term debt excluding current maturities	34,622	35,863
Noncurrent operating lease liabilities	3,759	3,479
Lease Adjusted Debt	\$ 40,227	\$ 40,528
EBITDAR	\$ 13,745	\$ 15,449
Lease Adjusted Debt to EBITDAR	2.93	2.62

Capital/Asset Productivity Measures

Return on Invested Capital

Return on Invested Capital (ROIC) is calculated using a non-GAAP financial measure. Lowe's believes ROIC is a meaningful metric for analysts and investors as a measure of how effectively the Company is using capital to generate financial returns. Although ROIC is a common financial metric, numerous methods exist for calculating ROIC. Accordingly, the method used by our management may differ from the methods used by other companies. We encourage you to understand the methods used by another company to calculate ROIC before comparing its ROIC to ours.

We define ROIC as the rolling 12 months' lease adjusted net operating profit after tax (Lease adjusted NOPAT) divided by the average of current year and prior year ending debt and shareholders' deficit. Lease adjusted NOPAT is a non-GAAP financial measure, and net earnings is considered to be the most comparable GAAP financial measure. The calculation of ROIC, together with a reconciliation of net earnings to Lease adjusted NOPAT, is as follows:



ROIC (in millions, except percentage data)	Four Quarters Ended	
	May 3, 2024	May 5, 2023
Numerator		
Net Earnings	\$ 7,221	\$ 6,364
Plus:		
Interest expense – net	1,384	1,228
Operating lease interest	162	160
Provision for income taxes	2,317	2,553
Lease adjusted net operating profit	11,084	10,305
Less:		
Income tax adjustment ¹	2,692	2,950
Lease adjusted net operating profit after tax	\$ 8,392	\$ 7,355
Denominator		
Average debt and shareholders' deficit ²	\$ 25,720	\$ 26,269
Net earnings to average debt and shareholders' deficit	28.1 %	24.2 %
Return on invested capital ³	32.6 %	28.0 %

¹ Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 24.3% and 28.6% for the four quarters ended May 3, 2024, and May 5, 2023, respectively.

² Average debt and shareholders' deficit is defined as average current year and prior year ending debt, including current maturities, short-term borrowings, and operating lease liabilities, plus the average current year and prior year ending total shareholders' deficit.

³ As of May 5, 2023, ROIC was negatively impacted approximately 725 basis points as a result of the sale of the Canadian retail business.